CENTRAL INTELLIGENCE AGENCY REPORT NO. [redacted]

FCD 341

~~SECRET~~

INFORMATION REPORT

~~CONFIDENTIAL~~

COUNTRY Yugoslavia

SUBJECT Yugoslav Internal State Loan

25X1A6a

PLACE ACQUIRED [redacted]

DATE OF [redacted]

DATE DISTR. 23 August 1948

NO. OF PAGES 2

NO. OF ENCLS. (LISTED BELOW)

SUPPLEMENT TO REPORT NO.

25X1X6

[redacted]

1. In early 1948 the value of the dinar was increased to five times its value during 1947. This was coupled with the repeal of an earlier decree which limited the amount which any one person might hold each month to 5,000 dinars. As a result more and more people began to withdraw their deposits from the People's Bank of Yugoslavia and to convert the money thus withdrawn into gold.

2. In the meantime, the Yugoslav Government was faced with considerable financial obligations. The industrialization of the country, the provision of pensions and health services, the reconstruction of devastated areas, the restoration of communications and the maintenance of an army and security forces all entailed heavy expenditure. In addition, money had to be found to pay the farmers for the 1948 harvest. On the other hand, taxation had been reduced as a result of wide-scale nationalization and the new system had not yet had time to start functioning efficiently. Reparations were not bringing in as much money as had been expected; those from Bulgaria, Rumania and Hungary had been abolished; those from Austria and Germany had not yet been received, and Italy's contribution had been cut by some 60%. Finally, Yugoslavia had only a limited range of exports and her currency had no backing that was trusted abroad.

3. By May 1948, therefore, there was a serious tendency towards inflation, but the State was unwilling to antagonize its new employees by reducing their salaries. It had, therefore, decided to launch an internal loan, ostensibly sponsored by the Communist Party and the Narodna Fronta (National Front) in order to stabilize the present currency. Support for this loan was compulsory for all people from the age of 12 upwards. All workers, farmers and small-traders were compelled to buy bonds. Members of the Communist Party were instructed to convert all their savings into bonds, and were ordered to report all attempts to convert dinars into gold.

4. Bonds were to be of three values:

   a. 1,000 dinars: Businessmen who had their enterprises nationalized were to convert their compensations into these bonds. All future compensations for nationalization would be given 80% in bonds and 20% in cash.

CLASSIFICATION ~~SECRET~~/CONTROL - U.S. OFFICIALS ONLY

STATE	X	NAVY	X	NSRB		DISTRIBUTION			
ARMY	X	AIR							

~~CONFIDENTIAL~~

Document No. 010
NO CHANGE in Class. ☐
☐ DECLASSIFIED
Class. CHANGED TO: TS S C
DDA Memo, 4 Apr 77
Auth: DDA REG. 77/1763
Date: 09/03/78 By: 008

~~SECRET~~

25X1A2g

[redacted]

b. <u>500 dinars:</u> These were to be bought by workers and State employees from the age of 18 upwards.

c. <u>300 dinars:</u> These were to be bought by "pioneers" (members of youth organizations) between the ages of 12 and 18.

5. It was proposed that the loan should last for four years and be paid off in the following way:

a. 1949 - 10% interest on each bond.
b. 1950 - 10% interest on each bond.
c. 1951 - 10% interest on each bond, plus 10% of the principal.
d. 1952 - 10% interest on each bond, plus the remaining 90% of the principal. The State, however, reserved the right of postponing the final payment if, by 1952, financial conditions were unfavorable.